

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Charter Township of Breitung</b>	County <b>Dickinson</b>
Audit Date <b>12/31/04</b>	Opinion Date <b>3/29/05</b>	Date Accountant Report Submitted to State: <b>6/30/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Anderson, Tackman &amp; Company, PLC</b>			
Street Address <b>901 Ludington Street</b>	City <b>Esanaba</b>	State <b>MI</b>	ZIP <b>49829</b>
Accountant Signature <i>Anderson, Tackman &amp; Company P.C.</i>		Date <b>6/30/05</b>	

**CHARTER TOWNSHIP OF BREITUNG**  
**DICKINSON COUNTY, MICHIGAN**

**BASIC FINANCIAL STATEMENTS**

**December 31, 2004**

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**ANDERSON, TACKMAN & COMPANY, PLC**

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

Members of the Township Board  
Charter Township of Breitung  
Dickinson County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Charter Township of Breitung, Dickinson County, Michigan as of and for the year ended December 31, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter Township of Breitung's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Charter Township of Breitung, Dickinson County, Michigan as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2005, on our consideration of the Charter Township of Breitung's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and the budgetary comparison information on pages 3 and 42, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Breitung, Dickinson County, Michigan's basic financial statements. The combining nonmajor fund financial statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Anderson, Tackman & Company P.C.*

Anderson, Tackman & Company, PLC  
Certified Public Accountants

March 29, 2005

## **MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)**

Our discussion and analysis of Breitung Township's financial performance provides an overview of the Township's financial activities for the year ended December 31, 2004. Please read it in conjunction with the Township's financial statements, which begin on page 12.

### **FINANCIAL HIGHLIGHTS**

- The Township's net assets were reported for the first time under GASB 34. As such, no comparisons with prior years will be made. In future years, comparative information will be presented in various schedules throughout the MD&A. Net assets for the Township were reported at \$5,077,759. Net assets for our business-type activities were \$1,369,347 or 27% of total net assets, while net assets in our governmental activities were \$3,708,412 or 73% of total net assets.
- The Township's expenses for the year totaled \$2,004,670, while revenues from all sources totaled \$1,654,941, resulting in a decline in net assets of \$349,729.
- In the Township's business type activities, total revenues were \$317,577, or 19% of total revenue, while expenses and transfers totaled \$247,314, or 12% of total expenses. This provided excess revenue over expenses of \$70,263.
- The General fund reported a decline in fund balance of \$748,482 (or 38%) compared to a decline of \$569,685 (or 22%) in 2003. This was after revenues of \$1,305,559 compared to \$1,331,819 in 2003, and expenditures of \$1,881,428 compared to expenses of \$1,592,731 in 2003.

### **USING THIS REPORT**

This annual report consists of a series of financial statements. The Statement of Net Assets and Statement of Activities (on pages 12 and 13) provide information about the activities of the Township as a whole and present a longer term view of the Township's finances. Fund financial statement start on page 14. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The remaining statement provides financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of government.

## **MANAGEMENT DISCUSSION AND ANALYSIS (continued):**

### **Reporting the Township as a whole**

#### **Statement of Net Assets and the Statement of Activities**

Our analysis of the Township as a whole begins on page 6. One of the most important questions asked about the Township's finances; "Is the Township as a whole better off or in worse condition as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting, used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Township's net assets and changes in them. You can think of the Township's net assets- the difference between assets and liabilities- as one way to measure the Township's financial health, or *financial position*. Over time, *increases or decreases* in the Township's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Township's property tax base to assess the *overall financial health* of the Township.

In the Statement of Net Assets and the Statement of Activities, we divide the Township into two categories of activities:

- Governmental activities - Most of the Township's basic services are reported here including legislative, public safety, highway and transportation, health and welfare, recreation and cultural, cemetery, and general administration. Property taxes and state shared revenues make up the majority of revenue for these activities.
- Business-type activities - The Township charges to provide water utility services to customers.

### **Reporting the Township's Most Significant Funds**

#### **Fund Financial Statements**

Our analysis of the Township's Major Funds begin on page 8. The fund financial statements begin on page 14 and provide detailed information on the most significant funds - not the Township as a whole. Some funds are required to be established by State law, and by bond covenants. However, the Township Board of Trustees establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal requirements for certain taxes, grants, and other money. The Township's two kinds of funds - governmental and proprietary - use different accounting methods.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued):

- *Governmental funds* - Most of the Township's services are reported in governmental funds which focus on how money flows into and out of those funds and the balances that are left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed short-term view of the Township's general government operations and the basic services it provides. Governmental fund information helps you to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and Statement of Activities) and governmental funds in a reconciliation which follows the fund financial statements.
- *Proprietary funds* - When the Township charges customers for the services it provides - whether to outside customers or to other units of the Township - these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the Township's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for other Township programs and activities.

### The Township as a Trustee

The Township is the trustee, or *fiduciary*, for tax receipts and other collections, which are collected for other agencies and held for a periodic payment to those agencies. The Township's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 21. We exclude these funds from the Township's other financial statements because the Township cannot use these assets to finance its operations. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purpose.



## MANAGEMENT DISCUSSION AND ANALYSIS (continued):

### The Township as a Whole

The Township's net combined assets declined by \$349,729.

**Table 1**  
**Net Assets**

	Governmental Activities <u>2004</u>	Business-Type Activities <u>2004</u>
Assets:		
Current and other assets	\$ 2,799,135	\$ 295,097
Capital assets(net)	<u>2,429,318</u>	<u>1,480,004</u>
Total Assets	<u>\$ 5,228,453</u>	<u>\$ 1,775,101</u>
Liabilities:		
Long-term debt outstanding	363,314	404,447
Other liabilities	<u>1,156,727</u>	<u>1,307</u>
Total Liabilities	<u>\$ 1,520,041</u>	<u>\$ 405,754</u>
Net Assets:		
Invested in capital assets, net of related debt	2,066,004	1,075,557
Nonexpendable:		
Cemetery perpetual care	127,042	-
Unrestricted	<u>1,515,366</u>	<u>293,790</u>
Total net assets	<u>\$ 3,708,412</u>	<u>\$ 1,369,347</u>

Net assets of the Township's governmental activities stood at \$3,708,412. Unrestricted net assets, the part of net assets that could be used to finance the day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$1,515,366.

Net assets in our business-type activities stood at \$1,369,347. Unrestricted net assets for our business-type activities were \$293,790.

# MANAGEMENT DISCUSSION AND ANALYSIS (continued):

**Table 2**  
**Changes in Net Assets**

	Governmental Activities <u>2004</u>	Business-Type Activities <u>2004</u>
Revenues:		
Program Revenues:		
Charges for services	\$ 45,419	\$ 305,696
Operating grants	7,655	5,920
General Revenues:		
Property taxes	818,930	-
State revenue sharing	405,653	-
Contributions to permanent fund	2,496	-
Unrestricted investment	-	-
Earnings	36,822	5,961
Miscellaneous	<u>20,389</u>	<u>-</u>
Total Revenues	<u>1,337,364</u>	<u>317,577</u>
Program Expenses:		
Legislative	61,237	-
General government	418,286	-
Public Safety	333,857	-
Highway and transportation	140,694	-
Health and welfare	380,638	-
Recreation and culture	72,778	-
Cemetery	2,184	-
Other	337,096	-
Interest on long-term debt	17,055	-
Water utility	<u>-</u>	<u>240,846</u>
Total Expenses	<u>1,763,824</u>	<u>240,846</u>
Excess (deficiency) before transfers and contributions	(426,460)	76,731
Transfers	<u>6,468</u>	<u>(6,468)</u>
Increase (decrease) in net assets	(419,992)	70,263
Net assets - beginning	<u>4,128,404</u>	<u>1,299,084</u>
Net assets - ending	<u>\$ 3,708,412</u>	<u>\$ 1,369,347</u>

## MANAGEMENT DISCUSSION AND ANALYSIS (continued):

### Governmental Activities

Revenues for the Township's governmental activities totaled \$1,337,364, while expenses were \$1,763,824. The excess of expenditures over revenue was \$419,992. Table three below reflects the cost of each of the Township's five largest activities; General government, public safety, highway and transportation, health and welfare, and other, as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each function placed on the taxpayers.

**Table 3**  
**Government Activities**

	Total Cost of Services <u>2004</u>	Net Cost of Services <u>2004</u>
General government	\$ 755,382	\$ 730,081
Public safety	333,857	331,606
Highway and transportation	140,694	140,694
Health and welfare	380,638	359,288
Recreation and cultural	<u>72,778</u>	<u>72,778</u>
Totals	<u>\$ 1,683,349</u>	<u>\$ 1,634,447</u>

### Business-Type Activities

The Township's business-type activities net assets totaled \$1,369,347, with an increase in the current year of \$70,263.

## THE TOWNSHIP'S FUNDS

The focus of the governmental funds of the Township is to provide information on near-term inflows, outflows and balances in spendable resources. The fund information is useful to determine short-term financing requirements and can be used to measure the Township's net resources available for spending at the end of the fiscal year.

For the current fiscal year the Township's governmental funds reported total fund balance of \$1,514,576, in which \$1,366,866 is unreserved. The General Fund's fund balance is \$1,241,777, with \$20,668 being designated (See Note – C).

## **MANAGEMENT DISCUSSION AND ANALYSIS (continued):**

### **General Fund Budgetary Highlights**

Over the course of the year, the budget was amended several times. These amendments were made to recognize changes to revenue or expenditures. The budgeted revenues net change from the original budget to the final amended budget amounted to \$7,257, representing an increase of 0.5%. The budgeted expenditures of the final amended budget increased by \$404,461 over the original budget, representing an increase of 26%. The original budget projected a decline in fund balance in the amount of \$389,969, while the actual results showed a decline to fund balance of \$748,482. The Township Board knew at the time of the 2004 budget approval that \$395,000 would be transferred from fund balance to balance the budget. The Township had the major additional expense from purchasing 34.1 acres of land and drilling two wells. The Board chose to use Township fund balance rather than raise the millage rate to pay for these expenditures.

Northern Star Industries (Boss Snow Plow) sent the Township a very in-depth questionnaire/analysis to complete, so their company could possibly locate in the Township. The Township wanted Northern Star Industries to be in the Township, so in order to make the negotiations more attractive, the Township purchased 34.1 acres of land on Highway US-2. Northern Star Industries later decided to remain in Iron Mountain. The Township plans to develop the 34.1-acre parcel into an industrial park. This industrial development may take some time to build, but the Township feels this will be good for the community.

The Township set a goal to establish a new well field north of the Solid Waste Baler facilities for expansion of the water system along Highway US-2 from Quinnesec to the west boundary limits and the east corporation limits of the City of Iron Mountain. The Township wants to have more infrastructures for economic development along Highway US-2. The Township had two wells drilled on Quick property (north and east of the Baler facilities) to provide water for this future development.

In addition, the Township established a skateboard park in Quinnesec, the Township parking lot and main drive in the cemetery were paved with asphalt, and added new vinyl soffit and siding on the front entrance of the Township office building.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of fiscal year 2004, the Township had \$3,909,322, net of accumulated depreciation, invested in a variety of capital assets including land and improvements, buildings and improvements, equipment and furniture, vehicles, and infrastructure relating to the water systems. (See table 4 on next page)

## MANAGEMENT DISCUSSION AND ANALYSIS (continued):

**Table 4**  
**Capital Assets at Year-End**  
**(Net of accumulated depreciation)**

	Governmental Activities 2004	Business-Type Activities 2004
Land	\$ 328,028	\$ -
Land Improvements	27,270	-
Buildings and improvements	1,502,008	-
Equipment and furniture	116,978	-
Vehicles	455,034	-
Infrastructure – water systems	-	1,480,004
Total	<u>\$ 2,429,318</u>	<u>\$ 1,480,004</u>

## DEBT

At year-end the Township had \$767,761 in notes and bonds outstanding.

**Table 5**  
**Outstanding Debt at Year-End**

	Governmental Activities 2004	Business-Type Activities 2004	Totals
Installment Purchase Agreement:			
DPW Building	\$ 363,314	\$ -	\$ 363,314
Bonds Payable:			
Refinancing of 1996 Water Bonds	-	404,447	404,447
Totals	<u>\$ 363,314</u>	<u>\$ 404,447</u>	<u>\$ 767,761</u>

There were additions of \$421,000 to long-term debt this fiscal year for the refinancing of the 1996 Water Bonds. The Township wanted to reduce the water loan debt to get a lower interest rate than Rural Development. The Township paid off the Quinnesec portion of the water loan and obtained a favorable escalating interest rate loan from a local bank to pay off the remaining East Kingsford portion. The State of Michigan limits the amount of general obligation debt that local units of government can issue to 10% of the current equalized valuation, including TIF valuations. The Township's outstanding general obligation debt of \$767,761 is well below statutory limits.

## **MANAGEMENT DISCUSSION AND ANALYSIS (continued):**

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The Township Board and Township management will consider many factors when setting the fiscal year budget, tax rates and fees that will be charged for services.

The Township Board realized when preparing the 2005 budget that anticipated revenue would not meet expenditures for the year; therefore a millage increase of 1.1 mills was necessary, resulting in a total millage of 4.2 mills. The Township needed to increase the millage due to a decline in revenue from the State of Michigan, lower interest rates on Township monies, a declining fund balance and continuing to provide services to the residents of the Township. The Township does not anticipate an increase in millage now for a while.

The Township realizes there will be further cut backs in state revenue sharing in the future.

The Township is aggressively pursuing federal and state funds to help fund the new water system, and plans on reducing the amount of money spent on roads, construction projects, capital improvements and other smaller projects.

The Township will be purchasing property for the proposed well site north and east of the Solid Waste Baler facilities, and will actively look for ways to attract businesses to come into Breitung Township.

### **CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers and customers, as well as investors and creditors with a general overview of the Township's finances and to show the Township's accountability for the revenues it receives. If you have questions about this report or need additional information, contact the Township Superintendent at the Breitung Township Hall, 3851 Menominee Street, Quinnesec, Michigan 49876.

**CHARTER TOWNSHIP OF BREITUNG**  
**STATEMENT OF NET ASSETS**  
**December 31, 2004**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents			
Restricted	\$ 147,710	\$ -	\$ 147,710
Unrestricted	1,446,037	225,604	1,671,641
Receivables :			
Utilities	-	69,493	69,493
Taxes	1,066,852	-	1,066,852
Due from other governmental units	138,111	-	138,111
Prepaid expenses	425	-	425
Total current assets	<u>2,799,135</u>	<u>295,097</u>	<u>3,094,232</u>
Noncurrent assets:			
Capital assets	3,437,944	2,093,930	5,531,874
Accumulated depreciation	(1,008,626)	(613,926)	(1,622,552)
Total noncurrent assets	<u>2,429,318</u>	<u>1,480,004</u>	<u>3,909,322</u>
Total assets	<u>\$ 5,228,453</u>	<u>\$ 1,775,101</u>	<u>\$ 7,003,554</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 43,166	\$ 1,088	\$ 44,254
Accrued interest	6,679	-	6,679
Deferred revenue	1,066,852	-	1,066,852
Other liabilities	7,779	219	7,998
Compensated absences	8,063	-	8,063
Bonds payable	69,604	30,887	100,491
Total current liabilities	<u>1,202,143</u>	<u>32,194</u>	<u>1,234,337</u>
Noncurrent liabilities:			
Compensated absences	24,188	-	24,188
Bonds payable	293,710	373,560	667,270
Total noncurrent liabilities	<u>317,898</u>	<u>373,560</u>	<u>691,458</u>
Total liabilities	<u>\$ 1,520,041</u>	<u>\$ 405,754</u>	<u>\$ 1,925,795</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	\$ 2,066,004	\$ 1,075,557	\$ 3,141,561
Nonexpendable:			
Cemetery perpetual care	127,042	-	127,042
Unrestricted	1,515,366	293,790	1,809,156
Total net assets	<u>\$ 3,708,412</u>	<u>\$ 1,369,347</u>	<u>\$ 5,077,759</u>

See accompanying notes to the financial statements

**CHARTER TOWNSHIP OF BREITUNG**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2004**

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-type Activities	Total
<b>Primary government:</b>						
Governmental activities:						
Legislative	\$ 61,237	\$ -	\$ -	\$ (61,237)	\$ -	\$ (61,237)
General government	755,382	23,765	1,536	(730,081)	-	(730,081)
Public safety	333,857	-	2,251	(331,606)	-	(331,606)
Highway & transportation	140,694	-	-	(140,694)	-	(140,694)
Health & welfare	380,638	19,979	1,371	(359,288)	-	(359,288)
Recreation & cultural	72,778	-	-	(72,778)	-	(72,778)
Cemetery	2,184	1,675	2,497	1,988	-	1,988
Interest on long-term debt	17,055	-	-	(17,055)	-	(17,055)
Total governmental activities	1,763,824	45,419	7,655	(1,710,750)	-	(1,710,750)
<b>Business-type activities:</b>						
Water utility	240,846	305,696	5,920	-	70,770	70,770
Total primary government	\$ 2,004,670	\$ 351,115	\$ 13,575	\$ (1,710,750)	\$ 70,770	\$ (1,639,980)
General revenues:						
Property taxes				818,930	-	818,930
State revenue sharing				405,653	-	405,653
Contributions to permanent fund				2,496	-	2,496
Unrestricted investment earnings				36,822	5,961	42,783
Miscellaneous				20,389	-	20,389
Transfers				6,468	(6,468)	-
Total general revenues and transfers				1,290,758	(507)	1,290,251
Changes in net assets				(419,992)	70,263	(349,729)
Net assets - beginning				4,128,404	1,299,084	5,427,488
Net assets - ending				\$ 3,708,412	\$ 1,369,347	\$ 5,077,759

See accompanying notes to the financial statements



**CHARTER TOWNSHIP OF BREITUNG**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**December 31, 2004**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and equivalents:			
Restricted	\$ 20,668	\$ 127,042	\$ 147,710
Unrestricted	1,131,871	146,208	1,278,079
Receivables:			
Taxes	1,066,852	-	1,066,852
Due from other governmental units	138,111	-	138,111
	<u>1,274,984</u>	<u>146,208</u>	<u>1,421,192</u>
Total assets	<u>\$ 2,357,502</u>	<u>\$ 273,250</u>	<u>\$ 2,630,752</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 41,695	\$ 115	\$ 41,810
Deferred revenue	1,066,852	-	1,066,852
Other liabilities	7,178	336	7,514
	<u>1,115,725</u>	<u>451</u>	<u>1,116,176</u>
Total liabilities	<u>1,115,725</u>	<u>451</u>	<u>1,116,176</u>
Fund balances:			
Reserved for:			
Cemetery perpetual care	-	127,042	127,042
Unreserved:			
Designated	20,668	-	20,668
Undesignated	1,221,109	-	1,221,109
Unreserved, reported in non-major:			
Special revenue funds	-	145,757	145,757
	<u>1,241,777</u>	<u>272,799</u>	<u>1,514,576</u>
Total fund balances	<u>1,241,777</u>	<u>272,799</u>	<u>1,514,576</u>
Total liabilities and fund balances	<u>\$ 2,357,502</u>	<u>\$ 273,250</u>	<u>\$ 2,630,752</u>

See accompanying notes to the financial statements

**CHARTER TOWNSHIP OF BREITUNG**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**December 31, 2004**

Total fund balances for governmental funds	\$ 1,514,576
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Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Capital assets	2,910,077	
Accumulated depreciation	(1,008,626)	
Total capital assets, net of depreciation		1,901,451

An internal service fund is used by the Township to charge the cost of equipment usage to individual departments of the Township which are not accounted for as an enterprise activity. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.

694,629

Long-term liabilities applicable to the Township's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net assets.

Accrued interest on long-term debt	\$ (6,679)	
Bonds payable	(363,314)	
Compensated absences	(32,251)	(402,244)
Total net assets of governmental activities		\$ 3,708,412

**CHARTER TOWNSHIP OF BREITUNG**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2004**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>			
State sources	\$ 405,653	\$ 2,152	\$ 407,805
Taxes	818,930	-	818,930
Charges for services	23,750	19,250	43,000
License and permits	15	-	15
Interest and rents	36,822	5,503	42,325
Other	20,389	2,404	22,793
	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>\$ 1,305,559</u>	<u>\$ 29,309</u>	<u>\$ 1,334,868</u>
<b>EXPENDITURES:</b>			
Legislative	\$ 61,237	\$ -	\$ 61,237
General government	1,012,288	-	1,012,288
Public safety	291,233	2,200	293,433
Highway and transportation	140,694	-	140,694
Health and welfare	299,360	58,711	358,071
Recreation and cultural	76,616	-	76,616
Debt service:			-
Principal	-	66,575	66,575
Interest and other charges	-	18,279	18,279
	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>1,881,428</u>	<u>145,765</u>	<u>2,027,193</u>
Excess revenues (expenditures)	<u>(575,869)</u>	<u>(116,456)</u>	<u>(692,325)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	9,387	184,496	193,883
Transfers out	<u>(182,000)</u>	<u>(5,415)</u>	<u>(187,415)</u>
Total other financing sources (uses)	<u>(172,613)</u>	<u>179,081</u>	<u>6,468</u>
Net changes in fund balances	(748,482)	62,625	(685,857)
Fund balances - beginning	<u>1,990,259</u>	<u>210,174</u>	<u>2,200,433</u>
Fund balances - ending	<u>\$ 1,241,777</u>	<u>\$ 272,799</u>	<u>\$ 1,514,576</u>

See accompanying notes to the financial statements

**CHARTER TOWNSHIP OF BREITUNG**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2004**

Net changes in fund balances - total governmental funds \$ (685,857)

The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$344,763) exceeded depreciation expense (\$144,627). 200,136

An internal service fund is used by the City to charge the cost of equipment usage to individual departments of the Township which are not accounted for as an enterprise activity. The net revenue (expense) of the internal service fund is reported with governmental activities. (1,323)

Repayment of principal is an expenditure in the governmental funds but reduces the liability in the Statement of Net Assets.

Bond principal repayments 66,575

Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the following net changes:

Compensated absences	(747)		
Accrued interest on bonds	1,224		477

Changes in net assets of governmental activities \$ (419,992)

CHARTER TOWNSHIP OF BREITUNG  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
December 31, 2004

	East Kingsford Water	Quinnesec Water	Total Enterprise Funds	Internal Service Fund
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents:				
Unrestricted	\$ 67,960	\$ 157,644	\$ 225,604	\$ 167,958
Utilities receivable	40,103	29,390	69,493	-
Prepaid expenses	-	-	-	425
Total current assets	<u>108,063</u>	<u>187,034</u>	<u>295,097</u>	<u>168,383</u>
Noncurrent assets:				
Capital assets:				
Less accumulated depreciation	<u>892,892</u>	<u>587,112</u>	<u>1,480,004</u>	<u>527,867</u>
Total noncurrent assets	<u>892,892</u>	<u>587,112</u>	<u>1,480,004</u>	<u>527,867</u>
Total assets	<u>\$ 1,000,955</u>	<u>\$ 774,146</u>	<u>\$ 1,775,101</u>	<u>\$ 696,250</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 465	\$ 623	\$ 1,088	\$ 1,356
Bonds payable	30,887	-	30,887	-
Other liabilities	<u>93</u>	<u>126</u>	<u>219</u>	<u>265</u>
Total current liabilities	<u>31,445</u>	<u>749</u>	<u>32,194</u>	<u>1,621</u>
Noncurrent liabilities:				
Bonds payable	<u>373,560</u>	<u>-</u>	<u>373,560</u>	<u>-</u>
Total noncurrent liabilities	<u>373,560</u>	<u>-</u>	<u>373,560</u>	<u>-</u>
Total liabilities	<u>\$ 405,005</u>	<u>\$ 749</u>	<u>\$ 405,754</u>	<u>\$ 1,621</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	\$ 488,445	\$ 587,112	\$ 1,075,557	\$ 527,867
Unrestricted	<u>107,505</u>	<u>186,285</u>	<u>293,790</u>	<u>166,762</u>
Total net assets	<u>\$ 595,950</u>	<u>\$ 773,397</u>	<u>\$ 1,369,347</u>	<u>\$ 694,629</u>

See accompanying notes to the financial statements

CHARTER TOWNSHIP OF BREITUNG  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
For the Year Ended December 31, 2004

	East Kingsford Water	Quinnesec Water	Total Enterprise Funds	Internal Service Fund
<b>OPERATING REVENUES:</b>				
Charges for services	\$ 149,532	\$ 119,764	\$ 269,296	\$ -
State sources	-	5,920	5,920	-
Rental	14,000	22,400	36,400	139,000
Total operating revenue	<u>\$ 163,532</u>	<u>\$ 148,084</u>	<u>\$ 311,616</u>	<u>\$ 139,000</u>
<b>OPERATING EXPENSES:</b>				
Salaries and fringes	\$ 28,254	\$ 35,223	\$ 63,477	\$ 28,146
Purchased supplies	-	-	-	9,983
Contracted services	6,375	13,896	20,271	3,301
Repairs and maintenance supplies	2,273	2,537	4,810	5,431
Printing and publishing	2,315	680	2,995	-
Purchased water	40,595	-	40,595	-
Public utilities	-	6,154	6,154	-
Rentals	7,683	7,683	15,366	703
Memberships and dues	1,178	1,178	2,356	-
Conferences and workshops	115	115	230	-
Repairs and maintenance	-	4,581	4,581	-
Operating supplies	-	-	-	304
Capital outlay	-	6,766	6,766	394
Depreciation	15,929	15,296	31,225	95,353
Other	481	-	481	351
Total operating expenses	<u>105,198</u>	<u>94,109</u>	<u>199,307</u>	<u>143,966</u>
Operating income (loss)	<u>58,334</u>	<u>53,975</u>	<u>112,309</u>	<u>(4,966)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Interest income	1,530	4,431	5,961	3,643
Interest and other charges	(30,414)	(11,125)	(41,539)	-
Total nonoperating revenue (expense)	<u>(28,884)</u>	<u>(6,694)</u>	<u>(35,578)</u>	<u>3,643</u>
Income (loss) before transfers and contributions	29,450	47,281	76,731	(1,323)
Transfer out	<u>(3,234)</u>	<u>(3,234)</u>	<u>(6,468)</u>	<u>-</u>
Change in net assets	26,216	44,047	70,263	(1,323)
Total net assets - beginning	<u>569,734</u>	<u>729,350</u>	<u>1,299,084</u>	<u>695,952</u>
Total net assets - ending	<u>\$ 595,950</u>	<u>\$ 773,397</u>	<u>\$ 1,369,347</u>	<u>\$ 694,629</u>

See accompanying notes to the financial statements

CHARTER TOWNSHIP OF BREITUNG  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended December 31, 2004

	East Kingsford Water	Quinnesec Water	Total Enterprise Funds	Internal Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 145,983	\$ 116,122	\$ 262,105	\$ -
Cash operating grants received	-	5,920	5,920	-
Payments to suppliers	(60,768)	(45,286)	(106,054)	(19,911)
Payments for wages and related benefits	(28,161)	(35,097)	(63,258)	(27,881)
Other receipts (payments)	14,000	22,400	36,400	139,000
Net cash provided (used) by operating activities	71,054	64,059	135,113	91,208
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Operating transfers in (out)	(3,234)	(3,234)	(6,468)	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchase of fixed assets	-	-	-	(43,510)
Principal paid on debt instruments	(565,803)	(295,749)	(861,552)	-
Interest paid on debt instruments	(30,414)	(11,125)	(41,539)	-
Proceeds from bond refinancing	421,000	-	421,000	-
Net cash provided (used) by capital and related financing activities	(175,217)	(306,874)	(482,091)	(43,510)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest earnings	1,530	4,431	5,961	3,643
Net increase (decrease) in cash and equivalents	(105,867)	(241,618)	(347,485)	51,341
Cash and equivalents, beginning of year	173,827	399,262	573,089	116,617
Cash and equivalents, end of year	\$ 67,960	\$ 157,644	\$ 225,604	\$ 167,958
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>				
Operating income (loss)	\$ 58,334	\$ 53,975	\$ 112,309	\$ (4,966)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	15,929	15,296	31,225	95,353
Changes in assets and liabilities:				
(Increase) decrease in receivables	(3,549)	(3,642)	(7,191)	-
Increase (decrease) in accounts payable	247	(1,696)	(1,449)	556
Increase (decrease) in other liabilities	93	126	219	265
Net cash provided by operating activities	\$ 71,054	\$ 64,059	\$ 135,113	\$ 91,208

See accompanying notes to the financial statements

**CHARTER TOWNSHIP OF BREITUNG  
STATEMENT OF FIDUCIARY NET ASSETS  
AGENCY FUNDS  
December 31, 2004**

	Tax Collection Fund
	<hr/>
<b><u>ASSETS</u></b>	
Cash and cash equivalents	\$ 189,297
	<hr/> <hr/>
<b><u>LIABILITIES</u></b>	
Due to other units governmental units	\$ 189,297
	<hr/> <hr/>

See accompanying notes to the financial statements



## **CHARTER TOWNSHIP OF BREITUNG**

### **NOTES TO BASIC FINANCIAL STATEMENTS**

December 31, 2004

#### **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **(1) REPORTING ENTITY**

The Charter Township of Breitung was organized in 1877 and voted to become a Charter Township in 1978. The Township operates under an elected seven-member Board, which includes a supervisor, clerk, treasurer, and four trustees.

For financial reporting purposes, in conformance with GASB Statement 14, the Township's basic financial statements include the accounts of all Township operations for which the Township exercises oversight responsibility. The Township provides services in the following functional areas: liquor law enforcement, fire protection, sanitation, public works, water utility needs, and township enrichment.

Based on the foregoing criteria, the following organizations are not included in the financial report of the Charter Township of Breitung:

Central Landfill Authority – The Authority operates autonomously under intergovernmental service agreements.

Breitung Township Schools – The District operates autonomously as a separate governmental entity.

The accounting policies of the Charter Township of Breitung conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

##### **(2) BASIS OF PRESENTATION**

###### **Government-Wide Financial Statements:**

The Statement of Net Assets and Statement of Activities display information about the City as a whole. They include all funds of the Township except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues

## **CHARTER TOWNSHIP OF BREITUNG**

### **NOTES TO BASIC FINANCIAL STATEMENTS**

December 31, 2004

#### **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

include charges to customers or applicants who purchase, use or directly benefit from goods or services provided by a given function and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues.

##### **Fund Financial Statements:**

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. The General Fund is always considered a major fund and the remaining funds of the Township are considered major if it meets the following criteria:

- a. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The Township reports the following as major governmental funds in accordance with the above criteria:

The General Fund as described below.

The Township reports the following as major enterprise funds in accordance with the above criteria:

The East Kingsford Water Fund, which is used to account for water utility services provided to East Kingsford.

The Quinnesec Water Fund, which accounts for water utility services provided to Quinnesec.

## **CHARTER TOWNSHIP OF BREITUNG**

### **NOTES TO BASIC FINANCIAL STATEMENTS**

December 31, 2004

#### **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The funds of the Township are described below:

##### **Governmental Funds**

General Fund – The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Permanent Fund – The Cemetery Perpetual Care Fund is the Township's only permanent fund. The principal portion of this fund must stay intact, but the interest earnings are used to provide care for the cemetery.

##### **Proprietary Funds**

Enterprise Funds – Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriated for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Fund – The Internal Service Fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the Township, or to other governments, on a cost-reimbursement basis. In the government-wide financial statements, the Motor Pool Fund is the Township's only internal service fund and is included with the governmental activities and accounts for equipment usage activity used by various Township departments.

##### **Fiduciary Funds**

Agency Fund - The Tax Collection Fund is the Township's only agency fund and is used to account for assets held by the Township in a trustee capacity or as an agent for individuals or other governments. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

# **CHARTER TOWNSHIP OF BREITUNG**

## **NOTES TO BASIC FINANCIAL STATEMENTS**

December 31, 2004

### **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **(3) MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

##### **Measurement Focus**

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-type activities are presented using the economic resource measurement focus as defined in item b. below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable resources at the end of the period.
- b. The proprietary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position and cash flows. All assets and liabilities, whether current or noncurrent, associated with their activities are reported. Proprietary fund equity is classified as net assets.
- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

##### **Basis of Accounting**

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-type activities are presented using the accrual basis of accounting. Also, the proprietary fund financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

## **CHARTER TOWNSHIP OF BREITUNG**

### **NOTES TO BASIC FINANCIAL STATEMENTS**

December 31, 2004

#### **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures, including capital outlay, are recorded when the related liability is incurred, except for principal and interest on general long-term debt and accrued compensated absences, which are reported when due.

#### **(4) ASSETS, LIABILITIES AND NET ASSETS/FUND BALANCE**

- a. Cash and Equivalents – The Township’s cash and cash equivalents as reported in the Statement of Cash Flows and the Statement of Net Assets are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less.
- b. Receivables – All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectable. The Township has not recorded an allowance for uncollectables as the Township does not anticipate any material uncollectable accounts.
- c. Fixed Assets – The accounting and reporting treatment applied to property plant and equipment depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

#### *Government-wide Statements*

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets’ estimated useful lives using the straight-line method of depreciation.

## CHARTER TOWNSHIP OF BREITUNG

### NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2004

#### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The range of estimated useful lives by type of asset is as follows:

Land improvements	10 – 15 years
Buildings and improvements	40 – 50 years
Equipment and furniture	5 – 15 years
Vehicles	5 – 15 years
Infrastructure	10 – 75 years

#### *Fund Financial Statements*

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide financial statements.

- d. Restricted Assets – Restricted assets include cash and equivalents, which have been reserved for the principal portion of the Cemetery Perpetual Care Fund non-expendable cash.
- e. Long-Term Debt – The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists of bonds payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

- f. Compensated Absences – The Township's policies regarding vacation and sick time permits employees to accumulate earned but unused vacation and sick time. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability

# CHARTER TOWNSHIP OF BREITUNG

## NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2004

### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

payable from expendable available financial resources, while proprietary funds report the liability as it is incurred.

- g. Deferred Revenues – In the government-wide statements and proprietary fund financial statements deferred revenue is recognized when cash, receivables or other assets are received prior to their being earned. In the governmental fund statements deferred revenue is recognized when revenue is unearned or unavailable. The Township has reported deferred revenue of \$1,066,852 in the General Fund for property taxes levied in December 2004 for use in 2005. These amounts have been deemed measurable, but not currently available.

- h. Equity Classification

#### *Government-Wide Statements*

Equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
2. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions of enabling legislation.
3. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

#### *Fund Statements*

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated, if appropriate. Proprietary fund equity is classified the same as in the government-wide statements.

# CHARTER TOWNSHIP OF BREITUNG

## NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2004

### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (5) REVENUES AND EXPENDITURES/EXPENSES

##### **Revenues**

###### *Government-Wide Statements*

In the government-wide Statement of Activities, revenues are segregated by activity (governmental or business-type), and are classified as either a program revenue or a general revenue. Program revenues include charges to customers or applicants for goods or services, operating grants and contributions and capital grants and contributions. General revenues includes all revenues which do not meet the criteria of program revenues and include revenues such as property taxes, State revenue sharing payments and interest earnings.

###### *Fund Statements*

In the governmental fund statements revenues are reported by source, such as federal sources, state sources and taxes. Revenues consist of general purpose revenues and restricted revenues. General purpose revenues are available to fund any activity reported in that fund, while restricted revenues are available for a specific purpose or activity and the restrictions are typically required by law or a grantor agency. When both general purpose and restricted revenues are available for use, it is the Township's policy to use restricted resources first.

##### **Expenses/Expenditures**

###### *Government-Wide Statements*

In the government-wide Statement of Activities, expenses are segregated by activity (governmental or business-type), and are classified by function.

###### *Fund Statements*

In the governmental fund financial statements expenditures are classified by character; current, debt service and capital outlay.

In the proprietary fund financial statements expenses are classified by operating and nonoperating and are subclassified by function such as salaries, supplies and contracted services.



## **CHARTER TOWNSHIP OF BREITUNG**

### **NOTES TO BASIC FINANCIAL STATEMENTS**

December 31, 2004

#### **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **Operating Revenues and Expenses**

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing or investing activities.

##### **Other Financing Sources (Uses)**

The transfers of cash between the various Township funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing funds.

#### **(6) OTHER SIGNIFICANT ACCOUNTING POLICIES**

##### **Interfund Activity**

As a general rule, the effect of interfund activity has been eliminated from the government-wide statements. Exceptions to this rule are: 1) activities between funds reported as governmental activities and funds reported as business-type activities, and 2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct cost and program revenues for the functions concerned.

In the fund financial statements, transfers represent flows of assets without equivalent flows of assets in return or a requirement for repayment.

Interfund receivables and payables have been eliminated from the Statement of Net Assets, except for the residual amounts due between governmental and business-type activities.

##### **Budgets and Budgetary Accounting**

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to September 1, the Township Superintendent submits to the Township Board a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.

## **CHARTER TOWNSHIP OF BREITUNG**

### **NOTES TO BASIC FINANCIAL STATEMENTS**

December 31, 2004

#### **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

- b. Prior to November 1, the budget is legally enacted through passage of an ordinance.
- c. The Township Superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Township Board.
- d. Budgets are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Township Board in December. Individual amendments were not material in relation to the original appropriations which were amended.
- e. Encumbrance accounting under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is at present considered not necessary to assure effective budgetary control or to facilitate effective cash planning and control. Any unexpendable appropriations lapse at the end of the fiscal year.

#### **Property Taxes**

Property taxes are accrued in the year in which they are levied. The tax levy is recorded as deferred revenue until the subsequent year when it becomes available for use.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county delinquent tax rolls.

#### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

# CHARTER TOWNSHIP OF BREITUNG

## NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2004

### NOTE B – CASH AND EQUIVALENTS

The composition of cash and equivalents as reported in the government-wide Statement of Net Assets is presented below:

Imprest Cash		\$	400
Deposits:			
Checking accounts	\$	73,899	
Savings accounts		275,230	
Certificate of Deposit		<u>1,659,119</u>	<u>2,008,248</u>
Total cash and equivalents			<u>\$ 2,008,648</u>
Government-wide Statement of Net Assets Presentation:			
Unrestricted	\$	147,710	
Restricted		<u>1,671,641</u>	<u>1,819,351</u>
Statement of Fiduciary Net Assets			<u>189,297</u>
Total cash and equivalents			<u>\$ 2,008,648</u>

State statutes authorize the Township to deposit and invest in the following:

- Bonds, securities and other obligations of the United States or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- Repurchase agreements consisting of instruments listed in subdivision (a).
- Bankers' acceptance of United States banks.
- Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.

**CHARTER TOWNSHIP OF BREITUNG**

**NOTES TO BASIC FINANCIAL STATEMENTS**

December 31, 2004

**NOTE B – CASH AND EQUIVALENTS (continued)**

- g. Mutual funds registered under the investment company act of 1940, title I of chapter 686, 54 sat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of either of the following:
  - i. The purchase of securities on a when-issued or delayed delivery basis.
  - ii. The ability to lend portfolio securities as long as the mutual fund receives collateral all times equal to at least 100% of the securities loaned.
  - iii. The limited ability to borrow and pledge a like portion of the portfolios' assets for temporary or emergency purposes.
- h. Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the urban cooperation of 1967, MCL 124.501 to 124.512.
- i. Investments pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, MCL 129.141 to 129.150.

Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

All deposits are carried at cost and are in accordance with statutory authority. The Governmental Accounting Standards Board (GASB) Statement No. 3 risk disclosures for the Township's cash deposits are as follows:

<u>Deposits</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>
Insured	\$ 503,042	\$ 503,042
Uninsured	1,586,625	1,505,606
Total	<u>\$ 2,089,667</u>	<u>\$ 2,008,648</u>

# CHARTER TOWNSHIP OF BREITUNG

## NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2004

### NOTE C – RESTRICTED CASH

A summary of the Township's restricted cash at December 31, 2004 is as follows:

GENERAL FUND:	
For building and grounds maintenance	\$ 20,668
PERMANENT TRUST FUND:	
Cemetery Perpetual Care:	
For perpetual care of cemetery	<u>127,042</u>
Total	<u>\$ 147,710</u>

### NOTE D – PROPERTY TAXES

Information regarding current year property taxes as follows:

Taxable valuation:	
Regular	\$ 231,278,242
Industrial facilities	62,745,200
Millage rate:	
Regular	3.10
Industrial facilities	1.55
Total property taxes:	
Regular	\$ 716,963
Industrial facilities	97,255

### NOTE E – MAJOR TAXPAYER

During 2004, industrial facilities taxes paid by International Paper Company to the Township were \$95,975, which represents 12 percent of the total tax revenue.

### NOTE F – CAPITAL ASSETS

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. Capital asset activity for the year ended December 31, 2004, was as follows:

# CHARTER TOWNSHIP OF BREITUNG

## NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2004

### NOTE F – CAPITAL ASSETS (continued)

	Balance at 1/01/04	Additions	Disposals	Balance at 12/31/04
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 70,000	\$ 258,028	\$ -	\$ 328,028
Capital assets being depreciated:				
Land improvements	-	27,984	-	27,984
Buildings and improvements	1,803,185	-	-	1,803,185
Equipment and furniture	158,090	29,236	-	187,326
Vehicles	1,061,906	29,515	-	1,091,421
Total capital assets	3,093,181	344,763	-	3,437,944
Less accumulated depreciation:				
Land improvements	-	714	-	714
Buildings and improvements	257,858	43,319	-	301,177
Equipment and furniture	54,176	16,172	-	70,348
Vehicles	551,965	84,422	-	636,387
Total accumulated depreciation	863,999	144,627	-	1,008,626
Governmental activities capital assets, net	<u>\$ 2,229,182</u>	<u>\$ 200,136</u>	<u>\$ -</u>	<u>\$ 2,429,318</u>
	Balance at 1/01/04	Additions	Disposals	Balance at 12/31/04
Business-type activities:				
Capital assets being depreciated:				
Equipment	1,505	-	-	1,505
Vehicles	5,450	-	-	5,450
Infrastructure - water systems	2,086,975	-	-	2,086,975
Total capital assets	2,093,930	-	-	2,093,930
Less accumulated depreciation:				
Equipment	1,505	-	-	1,505
Vehicles	5,450	-	-	5,450
Infrastructure - water systems	575,746	31,225	-	606,971
Total accumulated depreciation	582,701	31,225	-	613,926
Business-type activities capital assets, net	<u>\$ 1,511,229</u>	<u>\$ (31,225)</u>	<u>\$ -</u>	<u>\$ 1,480,004</u>

**CHARTER TOWNSHIP OF BREITUNG**

**NOTES TO BASIC FINANCIAL STATEMENTS**

December 31, 2004

**NOTE F – CAPITAL ASSETS (continued)**

Depreciation expense was charged to governmental activities as follows:

Governmental activities:	
General government	\$ 12,739
Public safety	77,281
Parks and recreation	3,536
Health and welfare	51,071
Total governmental activities	
depreciation expense	<u>\$ 144,627</u>
Business-type activities:	
Water	<u>\$ 31,225</u>
Total business-type activities	
depreciation expense	<u>\$ 31,225</u>

The Township adopted a capitalization policy that identifies fixed assets as those having a value of \$5,000 or more as of December 31, 2004.

**NOTE G – EMPLOYEE’S RETIREMENT PLAN**

The Township administers a defined contribution plan with the Manufactures Life Insurance Company in accordance with the provisions of the Manulife Financial Defined Contribution Pension Plan for Government Employees.

Plan Description – Normal retirement age under the plan is age 65, or, if later, completion of 10 years of participation in the Plan. Early retirement is permitted at any time after attainment of age 55. Eligible employees in the Plan are all full-time employees working 40 hours per week, and must be at least the age of 18. Employer contributions are based on the basic annual rate of compensation in effect at the beginning of each plan year. Participants may make voluntary after-tax contributions, through payroll withholding, in amounts ranging from 1% to 10% of compensation. Benefits attributable to Employer contributions shall be 100% vested upon a Participant’s death, disability, normal retirement or early retirement, or upon termination of the Plan. On termination of a Participant’s service, other than because of death, disability, or normal retirement, such benefits shall vest 100% immediately. The investment of Plan assets is the responsibility of the participants.

# CHARTER TOWNSHIP OF BREITUNG

## NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2004

### NOTE G – EMPLOYEE’S RETIREMENT PLAN (continued)

Township contribution for the year ended 12/31/04	\$	16,417
Employee contributions		0
Active members		10
Total annual payroll for active members	\$	371,859
Employer contribution as a percentage of payroll		4.41%
Plan assets at the most recent valuation date (11/30/04)	\$	278,494

### NOTE H – VESTED EMPLOYEE BENEFITS

Substantially all of Township employees are entitled to certain vacation, sick pay benefits, and compensation time that accrue and vest based on employment agreements. Vacations not taken within the calendar year shall be forfeited unless permission is obtained from the Township Superintendent to schedule the vacation at a later date. Compensated absences in the amount of \$32,251 are reported under governmental activities in the Statement of Net Assets.

### NOTE I – LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended December 31, 2004:

Type of Debt	Balance @ 1/01/04	Additions	Deductions	Balance @ 12/31/04
<b>Governmental Activities:</b>				
Installment Purchase Agreement:				
DPW Building	\$ 429,890	\$ -	\$ 66,576	\$ 363,314
Compensated Absences	25,599	6,652	-	32,251
Total governmental long-term debt	<u>\$ 455,489</u>	<u>\$ 6,652</u>	<u>\$ 66,576</u>	<u>\$ 395,565</u>
<b>Business-type Activities:</b>				
Bonds Payable:				
1996 Water Supply Revenue Bonds:				
East Kingsfor portion	\$ 549,250	\$ -	\$ 549,250	\$ -
Quinnesec portion	295,750	-	295,750	-
Refinancing of 1996 Water Bonds:				
East Kingsford portion	-	421,000	16,553	404,447
Total business-type long-term debt	<u>\$ 845,000</u>	<u>\$ 421,000</u>	<u>\$ 861,553</u>	<u>\$ 404,447</u>



**CHARTER TOWNSHIP OF BREITUNG**

**NOTES TO BASIC FINANCIAL STATEMENTS**

December 31, 2004

**NOTE I – LONG-TERM DEBT (continued)**

Debt service requirements on long-term debt at December 31, 2004 are as follows:

For the Year Ending December 31,	<b>Governmental Activities</b>	
	<b>Installment Agreement</b>	
	<b>Principal</b>	<b>Interest</b>
2005	\$ 69,604	\$ 15,251
2006	72,722	12,132
2007	75,957	8,897
2008	79,336	5,518
2009	65,695	1,445
	<u>\$ 363,314</u>	<u>\$ 43,243</u>

For the Year Ending December 31,	<b>Business-Type Activities</b>	
	<b>Bonds Payable</b>	
	<b>Principal</b>	<b>Interest</b>
2005	30,887	12,113
2006	31,833	11,166
2007	31,148	11,852
2008	29,109	13,891
2009	27,656	15,344
2010-2014	157,731	57,269
2015-2017	96,083	8,528
	<u>\$ 404,447</u>	<u>\$ 121,635</u>

**Governmental Activities:**

As of December 31, 2004, the governmental activities long-term debt consisted of the following:

**Installment Purchase Agreement:**

The Township entered into an installment purchase agreement on November 8, 2003 with a principal amount of \$500,000, and an interest rate of 3.45% per annum until January 1, 2003, and thereafter at an interest rate of 4.40% per annum. A principal and interest payment of \$42,427 is due January 30, 2003, with semi-annual principal and interest payments in the amount of \$41,240 thereafter.

# CHARTER TOWNSHIP OF BREITUNG

## NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2004

### NOTE I – LONG-TERM DEBT (continued)

#### Business-type Activities:

As of December 31, 2004, the long-term debt of business-type activities consists of the following:

#### Bonds Payable:

During the year ending December 31, 2004, the Township refinanced the bonds on the East Kingsford portion of the 1996 Water Supply System Revenue Bonds. Bonds were issued on June 29, 2004 for \$421,000 with a variable interest rate ranging from 3.0% to 6.0%, with a maturity date of January 29, 2017.

### NOTE J – INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2004 were as follows:

	Transfers In	Transfers Out
General Fund:		
East Kingsford Water	\$ 3,234	\$ -
Quinnesec Water	3,234	-
Nonmajor governmental	2,919	-
Total General Fund	9,387	-
Total Nonmajor Funds	184,496	-
General Fund	-	182,000
East Kingsford Water	-	3,234
Quinnesec Water	-	3,234
Total Nonmajor Funds	-	5,415
Totals	\$ 193,883	\$ 193,883

### NOTE K – RISK MANAGEMENT

The Township has obtained insurance from Burnham & Flower Insurance Group. The participating plan coverage areas, limits, and deductions for the coverage period January 1, 2004 through January 1, 2005 are as follows:

**CHARTER TOWNSHIP OF BREITUNG**

**NOTES TO BASIC FINANCIAL STATEMENTS**

December 31, 2004

**NOTE K – RISK MANAGEMENT (continued)**

Coverage Area	Occurrence Limit	Deductibles
Comprehensive Municipal Liability: Coverage/Municipal Broad Form Endorsement	\$ 5,000,000	\$ -
Wrongful Acts Liability Coverage: (Errors & Omissions Type Form)	5,000,000	-
Law Enforcement Professional Liability Coverage:	5,000,000	-
Boiler & Machinery Coverage: (Underwritten through Hartford Steam Boiler)		
Equipment breakdown limit	1,050,000	500
Property damage	1,000,000	500
Automobile Liability Coverage:		
Bodily injury & property damage liability	5,000,000	N/A
Uninsured/underinsured motorists	100,000	N/A
Buildings & Contents Coverage:		
Total Building & Contents Limit	2,752,713	250
Schedule & Unscheduled Property Coverage: (Inland Marine - underwritten through St. Paul Insurance)		
Fire	1,310,880	500
Township	237,686	500
EDP	25,000	250
Valuable Papers & Records Coverage	100,000	-
Broad Form Crime Coverage		
Year around	10,000	N/A
Peak season	25,000	N/A
Forgery & alteration	10,000	N/A
Public Official and Employee Bond Coverage: (underwritten through Kemper Insurance)		
Treasurer	100,000	N/A
Deputy Treasurer	25,000	N/A
Clerk	10,000	N/A
Deputy Clerk	10,000	N/A
Water Department Clerk	10,000	N/A
FHA Bond	130,000	N/A

**CHARTER TOWNSHIP OF BREITUNG**

**NOTES TO BASIC FINANCIAL STATEMENTS**

December 31, 2004

**NOTE K – RISK MANAGEMENT (continued)**

At December 31, 2004, the Township had no outstanding claims, which exceeded the Plan's limits for the past three years and there were no significant reductions in insurance coverage from the prior year.

**NOTE L – CONTINGENT LIABILITIES**

The Township has received financial assistance from state agencies. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and are subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the Township. However, in the opinion on management, any such disallowed claims will not have a material effect on any of the financial statements or on the overall financial position of the Township at December 31, 2004.

**CHARTER TOWNSHIP OF BREITUNG  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
GENERAL FUND**

**For the Year Ended December 31, 2004**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
State sources	\$ 439,828	\$ 439,828	\$ 405,653	\$ (34,175)
Taxes	819,886	819,886	818,930	(956)
Charges for services	24,600	24,600	23,750	(850)
License and permits	20	20	15	(5)
Interest and rents	86,450	86,450	36,822	(49,628)
Other	1,000	8,257	20,389	12,132
Total revenues	<u>\$ 1,371,784</u>	<u>\$ 1,379,041</u>	<u>\$ 1,305,559</u>	<u>\$ (73,482)</u>
<b>EXPENDITURES:</b>				
Legislative:				
Supervisor	\$ 10,275	\$ 10,510	\$ 10,390	\$ 120
Township board	56,925	56,925	50,847	6,078
General government:				
Superintendent	94,447	79,837	78,844	993
Treasurer	64,089	54,799	53,282	1,517
Clerk	65,267	50,713	50,027	686
Assessor	94,440	78,330	77,069	1,261
Planning commission	26,635	26,635	12,346	14,289
Board of review	3,055	3,055	1,972	1,083
Elections	16,800	16,800	10,725	6,075
Building and grounds	157,200	403,820	390,927	12,893
Public safety:				
Ordinance enforcement	119,600	125,600	123,474	2,126
Fire protection	191,140	198,397	167,759	30,638
Highway and transportation:				
Road construction	150,000	150,000	140,694	9,306
Health and welfare:				
Sanitation	229,560	237,850	236,852	998
Department of public works	63,720	65,320	62,508	2,812
Recreation and cultural:				
Parks and recreation	93,650	79,410	76,616	2,794
Other:				
Hospitalization	-	127,399	115,032	12,367
Worker's compensation	-	-	1,461	(1,461)
Insurance and bonds	45,700	54,882	56,129	(1,247)
Professional services	-	66,682	73,340	(6,658)
Audit fees	9,250	9,250	7,909	1,341
Legal fees	32,000	32,000	24,110	7,890
Computer services	8,800	8,800	9,305	(505)
Capital outlay	3,500	3,500	5,285	(1,785)
Retirement	16,500	16,500	16,417	83
Office supplies	8,900	8,900	7,464	1,436
Postage	8,800	8,800	8,168	632
Communication	9,500	9,500	12,476	(2,976)
Total expenditures	<u>1,579,753</u>	<u>1,984,214</u>	<u>1,881,428</u>	<u>102,786</u>
Excess revenues (expenditures)	(207,969)	(605,173)	(575,869)	29,304
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer in:				
Cemetery	-	14,880	2,888	(11,992)
Budget Stabilization	-	31	31	-
East Kingsford Water	-	13,665	3,234	(10,431)
Quinnesec Water	-	13,670	3,234	(10,436)
Transfer out:				
Township Improvement Revolving	(155,000)	(155,000)	(155,000)	-
Cemetery	(27,000)	(27,000)	(27,000)	-
Total other financing sources (uses)	<u>(182,000)</u>	<u>(139,754)</u>	<u>(172,613)</u>	<u>(32,859)</u>
Net changes in fund balances	(389,969)	(744,927)	(748,482)	(3,555)
Fund balances - beginning	<u>1,990,259</u>	<u>1,990,259</u>	<u>1,990,259</u>	<u>1,990,259</u>
Fund balances - ending	<u>\$ 1,600,290</u>	<u>\$ 1,245,332</u>	<u>\$ 1,241,777</u>	<u>\$ 1,986,704</u>

**CHARTER TOWNSHIP OF BREITUNG**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**December 31, 2004**

	Special Revenue Funds				Permanent Fund		Total Nonmajor Governmental Funds
	Cemetery	Liquor Law Enforcement	Township Improvement Revolving	Budget Stabilization	Cemetery Perpetual Care		
Cash and equivalents:							
Restricted	\$ -	\$ -	\$ -	\$ -	\$ 127,042	\$	\$ 127,042
Unrestricted	54,560	9,881	81,767	-	-		146,208
Total assets	<u>\$ 54,560</u>	<u>\$ 9,881</u>	<u>\$ 81,767</u>	<u>\$ -</u>	<u>\$ 127,042</u>	<u>\$</u>	<u>\$ 273,250</u>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accounts payable	\$ 115	\$ -	\$ -	\$ -	\$ -	\$	\$ 115
Other liabilities	241	95	-	-	-		336
Total liabilities	<u>356</u>	<u>95</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>451</u>
Fund balances:							
Reserved for:							
Cemetery perpetual care	-	-	-	-	127,042		127,042
Unreserved	54,204	9,786	81,767	-	-		145,757
Total fund balances	<u>54,204</u>	<u>9,786</u>	<u>81,767</u>	<u>-</u>	<u>127,042</u>		<u>272,799</u>
Total liabilities and fund balances	<u>\$ 54,560</u>	<u>\$ 9,881</u>	<u>\$ 81,767</u>	<u>\$ -</u>	<u>\$ 127,042</u>	<u>\$</u>	<u>\$ 273,250</u>

**CHARTER TOWNSHIP OF BREITUNG**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2004**

	Special Revenue Funds				Permanent Fund		Total Nonmajor Governmental Funds
	Cemetery	Liquor Law Enforcement	Township Improvement Revolving	Budget Stabilization	Cemetery Perpetual Care		
<b>REVENUES:</b>							
State sources	\$ -	\$ 2,152	\$ -	\$ -	\$ -	\$	2,152
Charges for services	17,575	-	-	-	1,675		19,250
Interest income	1,371	99	1,536	-	2,497		5,503
Miscellaneous	2,404	-	-	-	-		2,404
Total revenues	\$ 21,350	\$ 2,251	\$ 1,536	\$ -	\$ 4,172	\$	29,309
<b>EXPENDITURES:</b>							
Public safety	\$ -	\$ 2,200	\$ -	\$ -	\$ -	\$	2,200
Health and welfare	58,711	-	-	-	-		58,711
Debt service:							
Principal	-	-	66,575	-	-		66,575
Interest and other charges	-	-	18,279	-	-		18,279
Total expenditures	58,711	2,200	84,854	-	-		145,765
Excess revenues (expenditures)	(37,361)	51	(83,318)	-	4,172		(116,456)
<b>OTHER FINANCING SOURCES (USES):</b>							
Transfers in	29,496	-	155,000	-	-		184,496
Transfers out	(2,888)	-	-	(31)	(2,496)		(5,415)
Total other financing sources (uses)	26,608	-	155,000	(31)	(2,496)		179,081
Net changes in fund balances	(10,753)	51	71,682	(31)	1,676		62,625
Fund balances - beginning	64,957	9,735	10,085	31	125,366		210,174
Fund balances - ending	\$ 54,204	\$ 9,786	\$ 81,767	\$ -	\$ 127,042	\$	272,799

See accompanying notes to the financial statements



**ANDERSON, TACKMAN & COMPANY, PLC**

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal  
Alan M. Stotz, CPA, Principal  
Raymond B. LaMarche, CPA, Principal  
Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA  
Lindsay J. Behrend, CPA  
Christina A. Smigowski, CPA

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS***

Members of the Township Board  
Charter Township of Breitung  
Dickinson County, Michigan

We have audited the basic financial statements of the Charter Township of Breitung, Dickinson County, Michigan as of and for the year ended December 31, 2004, and have issued our report thereon dated March 29, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Charter Township of Breitung's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by fraud or error in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management in a separate letter dated March 29, 2005.



Members of the Township Board  
Charter Township of Breitung  
Dickinson County, Michigan

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Charter Township of Breitung's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tackman & Company P.L.C.*  
Anderson, Tackman & Company, PLC  
Certified Public Accountants

March 29, 2005

**CHARTER TOWNSHIP OF BREITUNG**  
**DICKINSON COUNTY, MICHIGAN**

**REPORT TO MANAGEMENT**

**Year Ended December 31, 2004**



**ANDERSON, TACKMAN & COMPANY, PLC**

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal  
Alan M. Stotz, CPA, Principal  
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Erkki M. Peippo, CPA, PC, Principal

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Lindsay J. Behrend, CPA  
Christina A. Smigowski, CPA

**REPORT TO MANAGEMENT**

Members of the Township Board  
Charter Township of Breitung  
Dickinson County, Michigan

We have audited the financial statements of the Charter Township of Breitung, Dickinson County, Michigan, for the year ended December 31, 2004, and have issued our reports thereon dated March 29, 2005. Our professional standards require that we make several communications to you, the purpose of which is to assist you with additional information regarding the scope and results of the audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

**Our Responsibility under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated September 14, 2004, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting standards. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control structure of the Charter Township of Breitung, Dickinson County, Michigan. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Charter Township of Breitung's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

**Significant Accounting Policies**

Management has the responsibility for selection of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by the Charter Township of Breitung, Dickinson County, Michigan are described in Note A of the financial statements.

During the current year the Township prepared their financial statements in accordance with GASB Statement 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, which significantly changes the financial reporting format for the Township.

Members of the Township Board  
Charter Township of Breitung  
Dickinson County, Michigan

We noted no transactions entered into by the Charter Township of Breitung, Dickinson County, Michigan during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

#### Management Judgments and Accounting Estimates

Some accounting estimates are utilized in financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the estimates. The most sensitive estimates affecting the financial statements were the useful lives of property and equipment for the purpose of calculating depreciation.

#### Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Our audit adjustments, individually and in the aggregate, do not have a significant effect on the financial reporting process.

#### Disagreement with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the financial statements of the Charter Township of Breitung, Dickinson County, Michigan or a determination of the type auditor's opinion to be expressed on those statements, our professional standards require the consulting accountant to advise us as to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Breitung Township auditors.

Members of the Township Board  
Charter Township of Breitung  
Dickinson County, Michigan

However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in the performance of our audit.

In planning and performing our audit of the financial statements of the Charter Township of Breitung, Dickinson County, Michigan, for the year ended December 31, 2004, we considered the Charter Township of Breitung, Dickinson County, Michigan's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and recommendations regarding those matters. This letter does not affect our report dated March 29, 2005, on the financial statements of the Charter Township of Breitung, Dickinson County, Michigan.

We have already discussed many of these comments and recommendations with various Township personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This information is intended solely for the use of the Charter Township of Breitung and management of Breitung Township and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tackman & Company P.C.*

Certified Public Accountants

March 29, 2005

**CHARTER TOWNSHIP OF BREITUNG**  
**DICKINSON COUNTY, MICHIGAN**

**COMMENTS AND RECOMMENDATIONS**

December 31, 2004

**ACCRUED SICK, VACATION & COMP TIME**

**Comment:**

During our testing of the Township's accrued sick, vacation and comp time, we noted the accumulated hours of the Superintendent was not being maintained by the Township Clerk.

**Recommendation:**

We recommend the accumulated hours of the Township Superintendent be maintained by the Township Clerk, and that any hours earned or used by the Superintendent be reported to the Clerk on a monthly basis, providing the Township Board with the necessary information to monitor the Township's liability associated with compensated absences.